

# RAPID REPORTS

## Agriculture : Income and prices

1987 □ 5

### EC AGRICULTURAL ACCOUNTS 1987

**Agricultural income 1987: Deteriorating situation in the Community as a whole, but varying trends from country to country**

The forecasts of **agricultural income** for 1987 are based on estimates made at 2 December 1987. According to these estimates, agricultural income is expected to have deteriorated in the Community as a whole in 1987. There are **three indicators** here for monitoring income trends. **Net value added** at factor cost in agriculture per annual work unit of total agricultural labour input in real terms (**indicator 1**) is expected to show a 3.6 % fall (cf. Table 1) for the Community as a whole (excluding Portugal), following on from a 0.7 % improvement in real terms in 1986.

**Real net income from agricultural activity** (net value added at factor cost, less rents and interest payments, **indicator 2**) per annual work unit of total agricultural labour input (hired and non-hired workers), is expected to fall in real terms by 3.4 % (1986: + 1.2 %).

**Indicator 3**, comprising the **real net income of the non-hired agricultural labour force**, i.e. the holders and members of their families working on the holding (net value added at factor cost, less rents, interest payments and wages), expressed per annual work unit of labour input of non-hired workers, is expected to show a 4.9 % fall (1986: + 2.5 %).



An initial analysis<sup>1)</sup> (cf. Table 3) of the reasons for this decline in agricultural income reveals first of all a 1.3 % fall in the overall value of final production<sup>2)</sup>, with prices down by 1.4 % and volume more or less stable (+ 0.1 %).

In volume terms, crop production is expected to show a 1.7 % increase, with substantial rises in the production of olive oil (+ 27.6 %) and industrial crops (+ 22.1 %), and falls for citrus fruit (- 19.7 %), grape must and wine (- 6 %) and sugar beet (- 5.5 %).

Total crop production is expected to show a slight fall in prices of the order of 0.5 %, reflecting marked declines in two thirds of crop products. The prices of potatoes (- 9.8 %), industrial crops (- 6.8 %) and cereals (- 3.5 %) are likely to show a substantial fall, while the prices of other products such as fresh vegetables (+ 7 %) and olive oil (+ 5.6 %) are expected to be well up on 1986.

In volume terms, the fall in total livestock production (- 1.4 %) reflects falls for milk (- 4.5 %), eggs (- 2.6 %) and cattle (- 2.2%). On the other side of the coin, the volume of poultry production is expected to show a 5 % increase.

The price of livestock production as a whole is expected to be down 2.3 % thanks to a substantial fall for pigs (- 11.5 %) and poultry (- 4.8 %). This compares with a considerable increase for eggs (+ 11.2 %) and a moderate increase in the price of milk (+ 0.3 %).

The value of intermediate consumption is expected to be down by 2 % for the second year running, attributable to a slight increase in the volume of intermediate consumption (+ 0.6 %) and a marked decline in prices (- 2.5 %), especially in the price of fertilizers (- 11 %), animal feedingstuffs (- 6.3 %) and energy (- 5 %). In value terms, intermediate consumption is expected to account for something like 40 % of total final production, and the

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1) This did not include the United Kingdom as no detailed information was available.

2) See methodological notes at the end of the text.

decrease of intermediate consumption in value terms is not expected to compensate fully for the reduction in total final production. As a result, gross value added at market prices is expected to be down 1.5 % in 1987 compared with 1986.

Aids to farmers are expected to be well up as a result of the measures adopted to compensate for last year's bad weather, the money having been paid out in 1987; an additional factor will have been compensation for the 4 % suspension of milk quotas. Subsidies are expected to move from 6.8 thousand million ECU in 1986 to 7.7 thousand million ECU in 1987.

The increase in taxes linked to production is attributed very largely to the cereals and milk co-responsibility levies and the new elimination levy on sugar beet.

Depreciation is expected to be up by 5.2 % (1986: + 2.9 %), while interest charges are expected to be down by 4.6 % (1986: - 0.9 %) thanks to lower interest rates.

Compensation of employees is expected to show a 2.3 % rise, the same rate as that recorded in 1986.

To arrive at a figure for net value added at factor cost - the basic income indicator - subsidies must be added to the figure for gross value added at market prices, taxes linked to production and depreciation must be deducted. The net result is the 2.2 % decline indicated in Table 1 for net value added at factor cost.

Finally, there are two other factors affecting real agricultural income per annual work unit of labour force input: the change in the agricultural labour force and the rate of inflation.

According to figures currently available, the agricultural labour force is expected to show a 2.3 % decline in 1987. The implicit price index of gross domestic product at market prices (used as a deflator) is lower than for 1986 (1986: 6.0 %, 1987: 3.8 %).

The anticipated 3.6 % fall in real agricultural income per annual work unit for the Community as a whole represents the weighted average of changes in the Member States. Poor weather conditions in some areas affected the quality of cereals (especially the rain and cold in April, May and June).

Country-by-country analysis reveals very different situations due to differing national agricultural and economic trends on the one hand, and to the fact of taking the 1986/1985 change as the starting point on the other. What very often happens is that a marked rise in one year is balanced out by a fall the following year, and vice versa. The highest rates of increase were noted in Ireland: + 11.7 % (- 10 % in 1986), Spain: + 7.7 % (- 4 %), the Netherlands: + 2.7 % (+ 7 %) and Luxembourg: + 2.1 % (0 %). In Greece, agricultural income was the same as in 1986 (- 2 % in 1986), while in the United Kingdom and France, the recorded levels were close to the Community average: -2.7 % (+ 5 %) and - 3.2 % (+ 2 %) respectively. In other countries, though, more substantial falls were recorded: Belgium: - 7.2 % (- 4 %), Italy: - 6.4 % (- 2 %), Denmark: - 10.8 % (- 5 %) and the FR of Germany: - 17.2 % (+ 10 %).

A medium-term comparison reveals that real agricultural income in the Community in 1987 was more or less on a par with the "1980" figure (cf. Table 2). Here again, though, there are substantial differences from country to country. Well above-average increases between "1980" and 1987 are reported for Luxembourg and Spain (of the order of 30 % or more), and for the Netherlands and Denmark (between 20 and 30 %), while in Greece and Ireland, the medium-term trend has been slightly above (+ 7 %) the Community average. On the other side of the coin, there has been no sustained growth since "1980" in the United Kingdom, Belgium and France, while in the FR of Germany and Italy there has even been a decline (- 10 %).

Meaning the national indices for 1985-1987 irons out the substantial year-on-year fluctuations in agricultural production. The level of income in "1986" for instance was at least on a par with "1980" (with the exception of Italy). The situation has been stable in FR Germany, France and the UK, while increases (of highly varying proportions) are reported for the other Member States.

Ø 1985-1987 ("1986") compared with Ø 1979-1981 ("1980") = 100

B	107.2	L	132.7
DK	137.5	NL	123.1
D	99.4	UK	101.1
EL	107.6	EUR 10	102.4
F	99.9	ESP	125.4
IRL	102.5		
I	94.6	EUR 11	105.5

These are provisional estimates. In March 1988 EUROSTAT will publish revised figures and a detailed analysis of the development of agricultural income for the Community as a whole and for each of the Member States.

**Methodological notes:**

- 1) The results published here are estimates by relevant national organizations in the Member States for the current year. The income indicator "net value added at factor cost" covers only the production sector agriculture and does not therefore represent total income of persons employed in agriculture, who may have income from other sources. The labour force input and any changes therein are expressed in annual work units (AWU). One AWU corresponds to one person employed full-time in agriculture for the whole year.
- 2) The concept of "final production" is applied in the European Community's economic accounts. It differs from the "delivery" concept (which is used for special purposes in certain countries) in that it includes changes in stocks and investments in agricultural products. To take an example: France's estimate for the total value of agricultural production in 1987 is FF 5 800 million lower than the corresponding "delivery" figure as a result of running down stocks of wine and decapitalizing livestock numbers in 1987.
- 3) The rates of change (Table 1) in net value added (NVA) per AWU in real terms for the Community result from weighting the national rates of change with each country's share of NVA in the Community in 1986. The method used for calculating the indices for real NVA and NVA per AWU has been simplified and improved vis-à-vis earlier years, this new approach having been made possible by harmonization of the series covering labour input in absolute values. Total real NVA for the Community is obtained by adding the real NVA figures (deflated by the implicit price index of GDP and converted into ECU by reference to 1980 exchange rates). Average real NVA per AWU in absolute terms is obtained by dividing total real NVA by total AWU to form the basis for calculating the series of Community indices.

**TABLE 1: Net value added at factor cost, real and per Annual Work  
Unit (AWU): 1987 % rates of change compared with 1986**

		B	DK	D	EL	ESP	F	IRL	I	L	NL	P	UK	EUR11
1	Net value added at factor cost. Nominal	-8,6	-10,4	-16,9	15,4	10,4	-3,2	12,6	-2,9	0,3	0,1	:	-1,2	-2,2
2	Total agricultural labour input (in AWU)	-3,5	-4,0	-1,5	-1,1	-3,0	-3,2	-2,0	-1,7	-4,2	-1,5	:	-2,4	-2,3
3	Net value added at factor cost. Nominal and per AWU (1:2)	-5,3	-6,7	-15,6	16,7	13,8	0,0	14,9	-1,2	4,7	1,6	:	1,2	0,1
4	Implicit price index of gross domestic product at market prices.	2,1	4,6	1,9	16,7	5,7	3,3	2,9	5,5	2,5	-1,0	:	4,0	3,8
5	Net value added at factor cost. Real and per AWU (3:4)	-7,2	-10,8	-17,2	0,0	7,7	-3,2	11,7	-6,4	2,1	2,7	:	-2,7	-3,6

Table 2: Indices of net value added at factor cost in real terms  
and per annual work unit (AMU) from 1977 to 1987

"1980" (1) = 100

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	$\frac{1987}{1986}$
B	95.5	103.1	93.3	98.7	108.0	113.9	122.4	117.4	112.7	108.4	100.5	-7.2
DK	95.9	104.3	90.6	97.6	111.8	135.4	115.4	153.5	147.0	140.3	125.2	-10.8
D	122.8	118.2	107.1	94.0	98.9	118.0	95.8	112.0	99.0	109.0	90.2	-17.2
EL	84.1	94.8	90.1	102.1	107.8	111.9	99.9	109.5	109.1	106.9	106.9	0.0
F	99.7	104.2	106.7	95.4	98.0	111.6	104.9	102.2	99.8	101.6	98.3	-3.2
IRL	142.4	143.5	116.1	91.1	92.8	102.4	110.0	122.0	105.7	95.3	106.5	11.7
I	:	:	103.6	99.3	97.1	99.0	103.4	94.9	97.6	96.1	90.0	-6.4
L	97.0	98.1	101.7	94.2	104.1	144.7	127.4	129.5	131.7	131.8	134.6	2.1
NL	105.1	103.5	95.4	91.9	112.7	118.4	117.0	122.9	116.6	124.7	128.0	2.7
UK	111.9	107.5	103.0	95.6	101.4	111.8	101.9	120.5	99.0	103.5	100.7	-2.7
EUR 10	:	:	102.9	96.4	100.7	111.3	104.8	108.3	103.1	104.7	99.3	-5.2
ESP	:	:	99.8	103.6	96.7	105.6	109.3	125.5	125.8	120.5	129.8	7.7
P	:	:	:	:	:	:	:	:	:	:	:	:
EUR 11	:	:	102.3	97.4	100.3	110.7	105.6	110.8	106.3	107.0	103.2	-3.6

(1) "1980" = (1979 + 1980 + 1981) : 3

Table 3: The provisional economic accounts for agriculture of the EC (1) 1987

(in million ECU)				
	Growth rates (in %)			
FINAL PRODUCTION OF AGRICULTURAL PRODUCTS	Volume index	Price index	Value index	1987 Value
Total crop production	1,7	-0,5	1,2	77977
of which: Cereals	2,2	-3,5	-1,3	17495
Root crops	-1,9	-3,5	-5,3	6824
of which: Potatoes	3,2	-9,8	-6,9	2768
Sugar beet	-5,5	1,4	-4,2	4043
Industrial crops	22,1	-6,8	13,8	4976
Fresh vegetables	-2,0	7,0	4,8	13604
Fresh fruit	1,9	-2,1	-0,3	7800
Citrus fruit	-19,7	1,3	-18,7	1808
Grape must and wine	-6,0	-1,1	-7,0	8875
Olive oil	27,6	5,6	34,7	2806
Flowers and ornamental plants	3,6	-1,6	1,9	5851
Total livestock production	-1,4	-2,3	-3,7	80516
Animals	0,6	-5,0	-4,4	46427
of which: Cattle	-2,2	-0,1	-2,3	20302
Pigs	1,8	-11,5	-9,9	15772
Sheep and goats	2,0	-0,1	1,9	2246
Poultry	5,0	-4,8	0,0	6687
Animal products	-4,3	1,7	-2,7	32872
of which: Milk	-4,5	0,3	-4,2	27975
Eggs	-2,6	11,2	8,3	4500
Total final production	0,1	-1,4	-1,3	159060

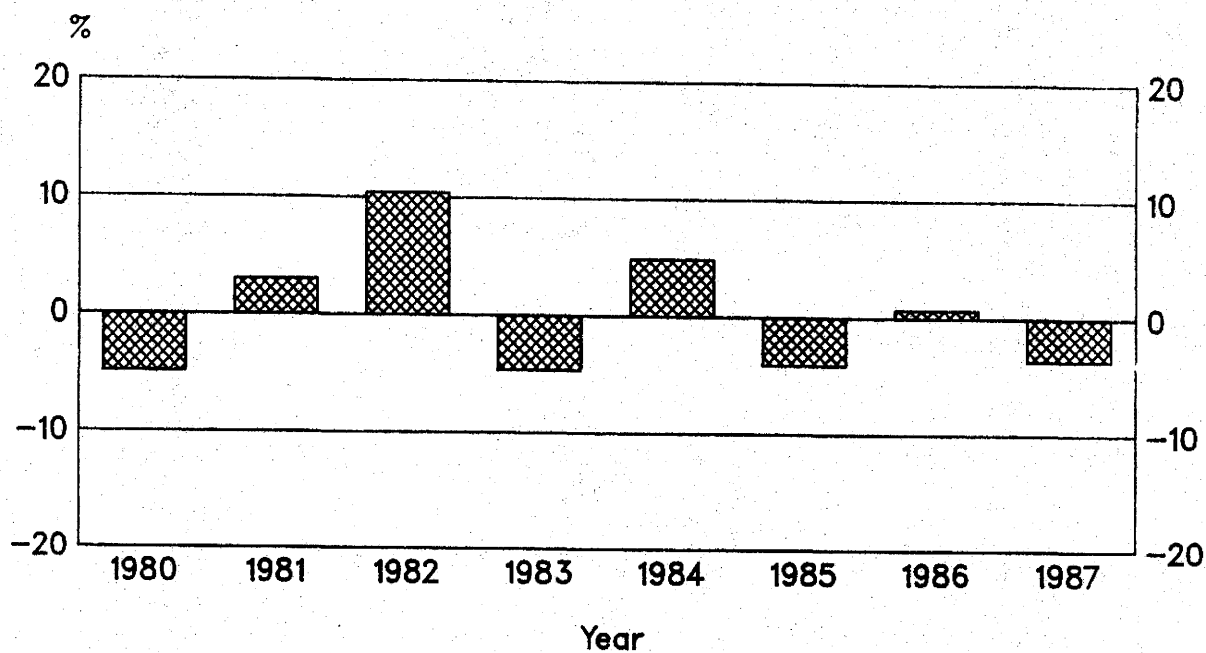
(in million ECU)				
	Growth rates (in %)			
INTERMEDIATE CONSUMPTION	Volume index	Price index	Value index	1987 Value
Total	0,6	-2,5	-2,0	66843
of which: Animal feedingstuffs	1,3	-6,3	-5,2	27416
Fertilizers	2,6	-11,0	-8,7	8176
Plant protection products	1,5	1,2	2,7	4159
Energy	0,0	-5,0	-5,0	6627

(in million ECU)			
INCOME ACCOUNT	1986 Value	Growth rates (in %)	1987 Value
Gross value added at marked prices	93646	-2,5	92217
Subsidies	6815	13,0	7701
Taxes linked to production	3222	3,3	3329
Depreciation	21327	5,2	22432
Net value added at factor cost	75912	-2,3	74152
Rents	3452	1,4	3500
Interest payments	9930	-4,6	9469
Net income from agricultural activity for the total labour force	62530	-2,2	61183
Compensation of employees	15838	2,3	16206
Net income from agricultural activity for the family labour force	46692	-3,7	44977

(1) Excluding the United Kingdom and Portugal



Annual rates of change of real net value added at factor cost of agriculture per AWU in the Community (without Portugal), 1980-1987



Annual rates of change of real net value added at factor cost of agriculture per AWU by Member States for 1986-1987

